

## Message Text

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44

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 DOTE-00 FMC-02

IO-13 DODE-00 PM-04 H-02 L-03 NSC-05 PA-02 PRS-01

SS-15 /123 W

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P 291110Z JUL 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC PRIORITY 1408

INFO AMEMBASSY LONDON PRIORITY

AMEMBASSY DAR ES SALAAM PRIORITY

UNCLAS NAIROBI 7947

E. O. 11652: N/A

TAGS: ECON, PFOR, KE, TZ, UG

SUBJ: FURTHER DISINTEGRATION OF E. A. RAILWAYS

REF (A) DAR ES SALAAM 2690, (B) NAIROBI 7692

1. IN JULY 28 PRESS CONFERENCE, E. A. RAILWAYS DIRECTOR GENERAL NGINI CALLED ON COMMUNITY GOVERNMENTS TO WIND UP CORPORATION AS QUICKLY AS POSSIBLE. NGINI'S PLEA WAS ACCOMPANIED BY REPORT THAT RAILWAYS HEADQUARTERS WILL BE UNABLE TO MEET JULY PAYROLL DUE FAILURE OF PARTNER STATES TO REMIT SUFFICIENT CASH. TANZANIA AND UGANDA HAVE SO FAR MET ONLY A FRACTION OF THIS MONTH'S OBLIGATIONS.

2. BULK OF MONTHLY TRANSFERS ARE EARMARKED FOR SALARIES DUE 2500 HEADQUARTERS PERSONNEL AND PENSION COMMITMENTS. NGINI NOTED THAT RAILWAYS CARRIED OUTSTANDING DEBT EXCEEDING \$2.3 MILLION AND MANAGED TO COVER JUNE PAYROLL ONLY THROUGH COMMERCIAL BANK OVERDRAFT ARRANGED BY PERM SEC KARIITHI OF PRESIDENT'S OFFICE. NGINI SAW NO HOPE OF

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EXTENDING OVERDRAFT FACILITY AN ADDITIONAL MONTH.

3. ALTHOUGH CANADIAN CONSULTANTS (CANAC) HAD RECOMMENDED TOTAL DECENTRALIZATION OF HEADQUARTERS BY JANUARY 1977, DIRECTOR-GENERAL FEARED THAT LACK OF GOVERNMENTAL COOPERATION HAD UNDERMINED CHANCES OF HEADQUARTERS SURVIVING BEYOND A FEW MONTHS.

4. NAIROBI PRESS REPORTED THAT E. A. LEGISLATIVE ASSEMBLY CIRCULATED MEMORANDUM TO PRESIDENTS NYERERE, KENYATTA AND AMIN VOICING ITS STRONG OPPOSITION TO DISINTEGRATION OF COMMUNITY'S SERVICES. MEMORANDUM RECOGNIZED NEED FOR SOME FORM OF DECENTRALIZATION TO PRESERVE EFFICIENT MANAGEMENT, BUT EMPHASIZED NEED TO MAINTAIN COMMUNITY STRUCTURE AS VEHICLE FOR REGIONAL COOPERATION.

5. COMMENT: NGINI PRESS CONFERENCE CLIMAXES PERIOD OF RAPIDLY DETERIORATING NATIONAL SUPPORT FOR EAST AFRICAN RAILWAYS CORPORATION. WITHIN LAST MONTH KENYA INSISTED THAT USERS OF ITS LINES ESTABLISH ACCOUNTS FOR PAYMENT IN KENYAN SHILLINGS. REFTELS SUMMARIZE TANZANIAN PLANS FOR INDEPENDENT OPERATIONS IN ITS OWN SECTOR. WHILE EVENTUAL DISBANDMENT OF REGIONAL RAILWAYS AUTHORITY IS FOREGONE CONCLUSION, CURRENT FINANCIAL STARVATION WILL UNFORTUNATELY DEPRIVE HEADQUARTERS OF OPPORTUNITY TO PROCEED WITH ORDERLY DECENTRALIZATION DURING TRANSITION PERIOD FORSEEN BY C NAC STUDY AND PROBABLY PROLONG INTER-STATE NEGOTIATIONS OVER FAIR APPORTIONMENT OF ASSETS.  
MARSHALL

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Case Number:** n/a  
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